ILLINOIS BUSINESS REVIEW

A MONTHLY SUMMARY OF BUSINESS CONDITIONS FOR ILLINOIS

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HIGHLIGHTS OF BUSINESS IN MAY

Industrial production remained steady in May. At 242 percent of the 1935-39 average, industrial activity was only 1 index point below the postwar high reached in March and was 15 percent above the May, 1952, level. Output thus seems to be leveling off just below the all-time high of 247 set in November, 1943, during the period of all-out war mobilization. Steel production was scheduled at about capacity during the month. Output of passenger cars early in May was at an annual rate of 7.2 million units but dropped later in the month because of work stoppages.

The Federal Reserve Board's preliminary May report on consumer durables production indicates a decline caused by reductions in the output of major appliances and television sets. From March to April the FRB's index of production of household goods showed a 5.5 percent decline, with cuts in all classes except furniture. Compared with April, 1952, however, total production of consumer durables was up more than 40 percent, and all groups were substantially higher.

Department Store Sales at May High

Department store sales rebounded in May to an estimated 116 (1947-49 = 100), somewhat higher than the March level. According to the FRB weekly releases, all districts showed substantial increases in the four-week period ended May 23. For the nation as a whole the increase was 6 percent.

May sales were at the highest level ever attained in that month, and when adjustment is made for the changing date of Easter, sales in March and April set records for those months. As far as can be determined, the new high level has not resulted from temporary influences on consumer buying. It mainly reflects rising incomes, although sales also benefited as consumers were able to shift spendable income from purchases of food to purchases of other goods as a result of lower farm prices. It may also be pointed out that people are both buying and saving, in contrast with earlier periods when purchases were sometimes abnormally high at the expense of saving, as in the period of scare buying in late 1950 and early 1951.

Prices Virtually Stable

Consumer prices rose only fractionally during the latest period reported, the month ended April 15; wholesale prices continue to hold at about 110 (1947-1949 = 100) as they have since the first of the year.

Farm prices increased three-fourths of 1 percent during the month ended May 15, reversing a downward movement which started last September. At 261 (1910-14 = 100), the index was 11 percent below a year ago and was down 17 percent from the February, 1951, high. Much of the latest strengthening in agricultural prices reflects gains in prices for meat animals. Prices paid remained unchanged at 279, and the parity ratio rose 1 index point to 94.

The recent upsurge in the controversy over the farm program has again focused attention on the ratio of average prices and parity prices. Of 30 commodities for which May 15 data are available, 23 were then selling on the market at prices ranging from 2 percent to 57 percent below parity; 15 were selling below the support level of 90 percent of parity. Wheat, for example, was 15 percent below parity, corn 16 percent. Prices of beef cattle, calves, and sheep were below parity by 17, 15, and 22 percent, respectively. Hog prices, at 114 percent of parity, were a notable exception among the most important farm products of this region. Of the major items produced in the Midwest, only soybeans, hogs, chickens, and eggs showed advances over May 15, 1952.

Demand for Credit Remains Strong

Demand for credit continues to be strong at all levels. Business is still seeking funds with which to add to plant and equipment and build up working capital; consumers have been substantially increasing their debts, mainly to purchase durable goods.

Bank loans to business, which ordinarily show a considerable seasonal drop after Christmas, have fallen only 1 percent since the beginning of the year. This is partly due to heavy borrowings to meet tax payments, but chiefly reflects a slowness in repayment of seasonal loans. New corporate security issues so far in 1953 have been 5 percent above last year. New records are also being set by residential mortgages, which were 12 percent higher in the first quarter of 1953 than in the first quarter of 1952.

Outstanding credit to consumers has risen continuously since March, 1952. At $26.2 billion on April 30 this year, such credit was 25 percent higher than at the end of April, 1952. Installment credit on automobiles accounted for more than half the gain.

CIVIL AVIATION AT MID-CENTURY · · By Leslie A. Bryan · · Page 8

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Implications of the Auto Boom

Favorite topic of the forecasters is the coming "slump" in autos. Here is one place that something definite can be said about business prospects. There is general agreement that recent high rates of output cannot be maintained; and from this it is easy to conclude that workers will be laid off and hard times will appear, not only in the auto industry but in all those supplying parts and materials.

Even more dire predictions are frequent, since many look for the decline to cumulate into a general economic spiral. The importance of this industry is held to be so overwhelming, its repercussions so widespread, that any decline will surely be felt throughout the economy. Thus, the one definitely bearish prospect in the whole business picture for late 1953 is blown up into a major recession. What are the facts?

Why Production Is Too High

There are indeed good reasons for thinking that the current rate of auto production is too high. For one thing, it is above sales. Part of current production is going into dealers' inventories, and inventories can't be accumulated indefinitely. What should be understood, however, is that this accumulation is a voluntary movement designed to bring inventories up to the point where selling can proceed with maximum efficiency. During the period of controls, and particularly after last year's steel strike, dealers' inventories were drawn down to an abnormally low level. They had to expand and are now being expanded. Production will run ahead of sales during the next few months until stocks are fully rebuilt.

But sales themselves have been boosted by temporary factors above a rate that can be maintained. The recent high level of sales partly expresses a rebound from the period of restriction. Production of 1952 models, at a little over 4 million, was perhaps a million below what could have been sold, and consumers are making up the deficit by buying correspondingly more of the improved 1953 models.

Moreover, there is some evidence of a return of seasonal buying. In prewar markets, the heaviest sales were made in the months of March through June. This old seasonal pattern was not experienced in most postwar years because the supply of cars available was not sufficient to permit buyers to purchase when they pleased. Now they are again buying in the season that best suits their convenience. In prewar years, the last half was usually 20 percent below the first half. In view of the other special factors operating in the current situation, it would not be at all surprising to find the decline fully as great this year.

Both of these temporary stimuli suggest that there will be a letdown in the latter part of the year, but neither implies a continuing downtrend. Once the backlog of demand is worked off, sales will drop back, but then normal patterns of buying may again be expected. Similarly, once the seasonal low is reached, the movement will be up toward the next seasonal high. It may be recalled that the peak of the general inflationary upsurge at the end of 1950 occurred while auto production was making model change-over lows at a rate only half the peak reached the previous June. (Comparisons between the extreme high and low of 1953 are likely to be equally meaningless.)

From a longer run point of view, it seems clear that a rate of sales of even 6 million cars per year would soon saturate the market and force a production cutback. The high production of 1950 brought car ownership more or less into line with long-term trends. Some demands accumulated during the intervening period, but this year's sales will again bring car ownership up into normal relationship with population, family formation, and employment data. In the future, therefore, sales will be confined to replacement needs and a relatively small increment of growth. Even if these "normal" sales are estimated at less than 5 million cars in 1954, they still represent a volume not in any way disastrous to either the industry or the economy.

Nobody is better aware of the facts than the auto industry itself — unless perhaps it is the dealers who are expected to be caught with a tremendous surplus of cars that can't be sold in the coming "buyer's market." The industry is, in fact, not too happy about some aspects of the current situation. Current pressure for production involves too much scrambling for materials and labor, and too high costs in the form of premium prices and overtime wage rates. The fact that contracts for costly conversion steel are already being terminated indicates how fully prepared they are to make the readjustment.

No Threat to the Economy

Granting that there must be a cutback in auto production, it would seem that there can be no doubt that the economy will be affected. The important question, however, concerns not the nature of the effect but its extent, and this quantitative question cannot be answered solely in terms of what happens to the auto industry, but must take account also of the other industries producing and selling to the same buyers. The question is, What will happen to consumer expenditures generally?

It is clear that consumer expenditures have been built up to a relatively high level by the high sales of durable goods. When a car is bought, it is usually financed partly by past savings, the down payment, and partly by future savings, which are made immediately available through consumer credit. Thus, future savings are mortgaged against the present purchase; but to the extent that such amounts would be saved anyway, they do not reduce future purchases. It is the extent to which repayment of installment debt might depress future consumption that matters, and this must be gauged in terms of the level of aggregate savings.

Currently, the situation is not at all like some previous periods of heavy buying, when purchases were so high in

(Continued on page 6)

THE PORTLAND CEMENT INDUSTRY

Although the early Greeks and Romans knew how to make cement of remarkable strength and durability, today's cement is not a direct descendant of that produced by these ancient peoples. The art of producing cement which would harden under water, known as hydraulic cement, was lost during the Middle Ages and had to be rediscovered. It was not until 1756 that a hydraulic cement was again invented, this time by an English engineer named John Smeaton. In 1824 another Englishman, a bricklayer and mason named Joseph Aspdin, took out a patent on a new hydraulic cement which he called "portland" cement because it resembled in color the stone quarried on the Isle of Portland on the south coast of England. Aspdin's cement was produced by carefully proportioning limestone and clay, pulverizing them, and burning the mixture into a clinker which was then ground into finished cement. Although the process has been greatly refined in subsequent years, the basic process used today is the same as Aspdin's.

History in the United States

Portland cement was first shipped to the United States in 1868 and thereafter volume grew until 1895, when a record 3 million barrels were imported. After that date, Americans began producing increasing quantities of portland cement for themselves and imports fell off.

The first plant to produce portland cement in the United States began operations at Coplay, Pennsylvania, in 1872 and was soon followed by others. In 1880, about 40,000 barrels of portland cement were produced in the United States. By 1950, well over 200 million barrels, worth almost $526 million, were produced by the 150 plants active in production of portland cement. More than 98 percent of all hydraulic cement produced in the United States is portland.

Production and Use

No portland cement was manufactured in Illinois until after the turn of the century, when the growth of industry and population made practical the construction of cement mills in the State. By 1919 five mills were producing almost $10 million worth of cement, almost 5 percent of the nation's output. Large quantities of raw materials located at convenient distances from the mills and large demand within the State have helped Illinois cement firms to expand until in 1948 Illinois firms produced over $15 million worth of cement.

Today, there are four cement mills in Illinois, all of which are located in the northern half of the State. Two are found at Oglesby, one at LaSalle, and one at Dixon.

Location in the northern part of Illinois is probably best explained in terms of transportation economies. The greatest demand for the product is in Chicago and neighboring communities and the raw materials of cement production such as limestone, gypsum, and blast furnace slag are available nearby.

Not only is Illinois one of the leading states in the production of cement, but it is also one of the most important consumers in the nation. During 1950, Illinois ranked fifth among the states as a consumer of portland cement and used over 5 percent of the nation's production. One of the largest uses of portland cement in Illinois is for the construction of roads, streets, and airports. Illinois has well over 13,000 miles of roads and 7,000 miles of streets, making a total of over 20,000 miles of concrete, or more than 10 percent of the nation's total. In addition, concrete airport runways account for another 600 miles of concrete. Other important uses are for residential and nonresidential building, construction of dams, and sewage systems.

Manufacturing Process

Portland cement is a chemical combination of lime and silica, which make up between 75 and 80 percent of the mass, with alumina and iron oxide making up most of the remainder. Gypsum is added during the final grinding process to regulate the setting time of the cement. Some 80 operations requiring a great deal of heavy machinery are required to produce portland cement, making the capital investment per worker in the cement industry among the highest of all industries.

The first step in the process is the grinding and mixing of the raw materials. The mixture is then fed into large kilns which are frequently as much as 12 feet in diameter and 150 yards long. Here it is heated to a temperature of about 2700 degrees Fahrenheit. The heat drives off certain gases and pieces of "clinker" are formed which are about the size of marbles. Next, the white hot clinker is mechanically cooled and moved through a series of grinding machines. Gypsum is added and the final grinding takes place. The portland cement produced is a powder so finely ground that 90 percent or more of it can pass through a screen containing 40,000 openings to the square inch.

Outstanding Safety Record

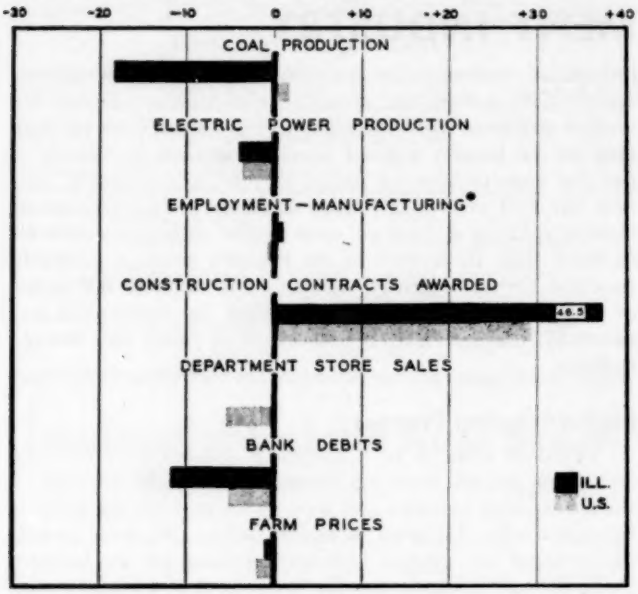
The cement industry takes a great deal of pride in the fact that although cement making involves a number of operations such as quarrying, mining, and blasting, the use of high voltage electric current, intense heat, and some of the world's largest moving machinery, it has achieved one of industry's finest safety records. In 1924, with 110 plants reporting, there were 60 fatal accidents and 76 accidents involving permanent disabilities. Only one plant had no accidents in that year. By 1950, with 141 plants reporting, there were only 12 fatal accidents and 47 accidents involving permanent disabilities. Over 31 percent of the plants had no accidents during the year.

With the growing demand for concrete in building and road construction and the development of new uses for concrete in semi-fabricated forms, the cement industry seems likely to keep pace with the growth of the economy. The industry's trade group, the Portland Cement Association, is doing a good deal of research on the improvement of production methods and on new uses of concrete.

STATISTICAL SUMMARY OF BUSINESS ACTIVITY

SELECTED INDICATORS

Percentage changes March, 1953, to April, 1953



* February, 1953, to March, 1953.

ILLINOIS BUSINESS INDEXES

Item	April 1953 (1947-49 =100)	Percentage Change from March 1953	Percentage Change from April 1952
Electric power[1]	154.7	− 4.0	+19.4
Coal production[2]	65.0	−18.4	− 8.1
Employment—manufacturing[3]	112.7	+ 0.5[a]	+ 6.8[b]
Payrolls—manufacturing	n.a.	....	....
Dept. store sales in Chicago[4]	105.0[c]	0.0	+ 9.4
Consumer prices in Chicago[5]	114.2	+ 0.4	+ 0.7
Construction contracts awarded[6]	286.2	+46.5	+ 2.6
Bank debits[7]	144.5	−11.6	+12.3
Farm prices[8]	102.0	− 0.8	− 9.0
Life insurance sales (ordinary)[9]	162.5	− 1.7	+18.4
Petroleum production[10]	89.7	− 4.3	− 1.1

[1] Fed. Power Comm.; [2] Ill. Dept. of Mines; [3] Ill. Dept. of Labor; [4] Fed. Res. Bank, 7th Dist.; [5] U. S. Bur. of Labor Statistics; [6] F. W. Dodge Corp.; [7] Fed. Res. Bd.; [8] Ill. Crop Rpts.; [9] Life Ins. Agcy. Manag. Assn.; [10] Ill. Geol. Survey.
[a] February, 1953, to March, 1953. [b] March, 1952, to March, 1953. [c] Seasonally adjusted. n.a. Not available.

UNITED STATES MONTHLY INDEXES

Item	April 1953	Percentage Change from March 1953	Percentage Change from April 1952
	Annual rate in billion $		
Personal income[1]	283.1[a]	+ 0.1	+ 7.8
Manufacturing[1]			
Sales	322.8[a]	+ 4.7	+14.5
Inventories	44.3[a, b]	+ 0.5	+ 2.1
New construction activity[1]			
Private residential	10.6	+ 5.6	+ 4.5
Private nonresidential	11.0	+ 4.3	+ 8.7
Total public	10.0	+14.3	+ 1.3
Foreign trade[1]			
Merchandise exports	n.a.	.....	.....
Merchandise imports	n.a.	.....	.....
Excess of exports	n.a.	.....	.....
Consumer credit outstanding[2]			
Total credit	26.2[b]	+ 2.0	+25.0
Installment credit	19.7[b]	+ 2.1	+33.5
Business loans[2]	23.1[b]	− 0.9	+11.2
Cash farm income[3]	22.8	− 5.6	− 7.6
	Indexes (1947-49 =100)		
Industrial production[2]			
Combined index	131[a]	+ 0.4	+12.5
Durable manufactures	151[a]	− 0.3	+18.1
Nondurable manufactures	115[a]	− 1.5	+ 8.2
Minerals	111[a]	0.0	− 2.4
Manufacturing employment[4]			
Production workers	111[a]	− 0.6	+ 6.8
Factory worker earnings[4]			
Average hours worked	102	− 0.7	+ 2.5
Average hourly earnings	132	0.0	+ 6.1
Average weekly earnings	135	− 0.7	+ 8.7
Construction contracts awarded[5]	228	+29.2	+ 9.0
Department store sales[2]	107[a]	− 5.3	+ 3.9
Consumers' price index[4]	114	+ 0.1	+ 0.7
Wholesale prices[4]			
All commodities	109	− 0.5	− 2.1
Farm products	98	− 2.3	−10.3
Foods	103	− 0.9	− 4.4
Other	113	− 0.1	0.0
Farm prices[3]			
Received by farmers	96	− 1.9	−10.7
Paid by farmers	112	− 0.7	− 3.5
Parity ratio	93[c]	− 1.1	− 7.0

[1] U. S. Dept. of Commerce; [2] Federal Reserve Board; [3] U. S. Dept. of Agriculture; [4] U. S. Bureau of Labor Statistics; [5] F. W. Dodge Corp.
[a] Seasonally adjusted. [b] As of end of month. [c] Based on official indexes, 1910-14 = 100.

UNITED STATES WEEKLY BUSINESS STATISTICS

Item		1953 May 23	1953 May 16	1953 May 9	1953 May 2	1953 Apr. 25	1952 May 24
Production:							
Bituminous coal (daily avg.)	thous. of short tons	1,464	1,521	1,475	1,458	1,500	1,479
Electric power by utilities	mil. of kw-hr.	8,013	7,959	7,897	7,939	8,016	7,146
Motor vehicles (Wards)	number in thous.	151.6	165.6	167.6	172.7	182.6	117.8
Petroleum (daily avg.)	thous. bbl.	6,269	6,267	6,242	6,183	6,184	.....
Steel	1947-49=100	140.1	140.8	140.6	140.8	141.7	132.8
Freight carloadings	thous. of cars	770	780	765	781	780	762
Department store sales	1947-49=100	112	105	128	114	104	105
Commodity prices, wholesale:							
All commodities	1947-49=100	109.9	109.9	109.9	110.0	109.7	111.6
Other than farm products and foods	1947-49=100	113.6	113.4	113.4	113.3	113.2	113.0
22 commodities	1947-49=100	88.4	87.6	88.0	87.6	87.8	98.7
Finance:							
Business loans	mil. of dol.	22,965	23,083	23,139	23,133	23,156	20,800
Failures, industrial and commercial	number	156	198	165	169	159	145

Source: *Survey of Current Business, Weekly Supplements.*

RECENT ECONOMIC CHANGES

Oleomargarine Production Up, Butter Down

For more than a decade butter producers have been losing more and more business to their principal competitor, oleomargarine. As shown by the accompanying chart, butter output has fallen sharply since 1940, whereas production of oleomargarine has moved steadily upward. Last year for the first time in history production of oleomargarine surpassed that of butter.

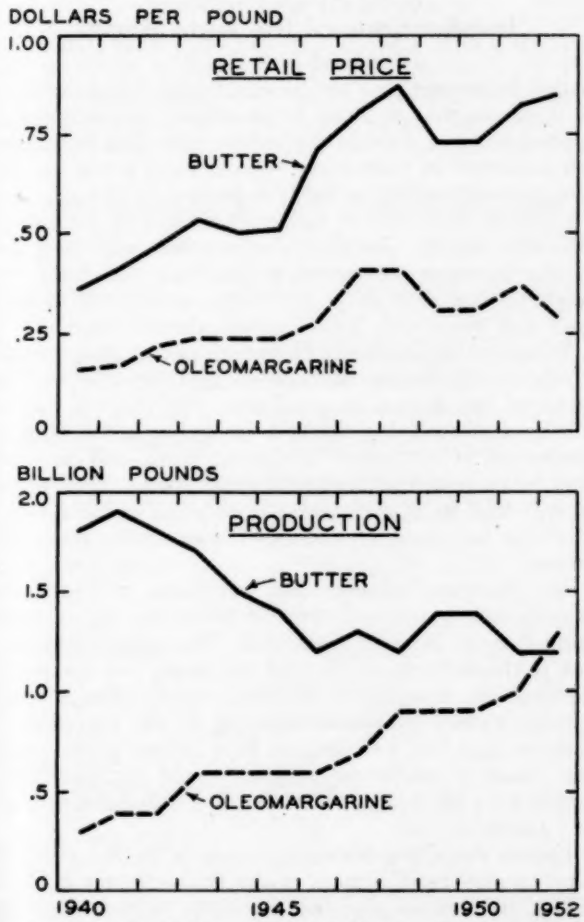
The large shift in demand from butter to margarine is especially evident in the per capita consumption figures of the two products. In 1940 per capita consumption of butter amounted to 16.7 pounds; by 1952 it had fallen to 8.8 pounds. During the same period, margarine consumption rose from 1.9 pounds per person to 7.8 pounds. The rising popularity of oleomargarine is partly explained by attractive packaging and coloring of the product, but mainly to the wide price differential between the two products. As indicated by the upper panel of the chart, 2½ to 3 pounds of oleomargarine could be purchased last year for the same price as a pound of butter.

Manufacturers' Profits Off in 1952

Profitwise, last year was not as good a year as 1951 for most manufacturing corporations, according to a joint report by the Securities and Exchange Commission and the Federal Trade Commission. Manufacturers' sales in 1952 climbed to a record $250 billion, 2 percent above sales in 1951. But expenses and costs moved up relatively more than sales, so that profits after taxes dropped to $10.7 billion, 10 percent lower than a year earlier.

Most manufacturing industries shared in the decline. Percentage decreases were largest, amounting to 25 percent or more, in the textile mill, lumber, and primary iron and steel industries. Of 23 different industry groups, only five had higher profits last year than the year before. The biggest advance was in the leather group, where profits were almost triple 1951. In the transportation equipment (excluding motor vehicles) and apparel industries profits were up more than 35 percent. Smaller increases occurred in the electrical machinery and motor vehicle and parts industries.

BUTTER AND OLEOMARGARINE PRICES AND PRODUCTION



Sources: U. S. Depts. of Agriculture, Commerce, and Labor.

Employment Rises Slightly

The number of jobholders advanced slightly in May to 61.7 million. The gain was less than expected for this time of year, as unfavorable weather conditions in many parts of the country slowed the usual spring increase in outdoor work. Nonagricultural employment increased about 110,000 to 55.3 million and farm employment was up 320,000 to 6.4 million. Although total employment in May was at a record for the month, the number of agricultural workers was about half a million below farm employment in May, 1952.

Unemployment fell about 300,000 in May to 1.3 million, and was only slightly above the postwar low of last October, as a number of jobless found employment in outdoor work. In addition, some women who had been looking for work in April dropped out of the labor force in May. Census data in thousands of workers are as follows:

	May 1953	*April 1953*	*May 1952*
Civilian labor force	62,964	62,810	62,778
Employment	61,658	61,228	61,176
Agricultural	6,390	6,070	6,960
Nonagricultural	55,268	55,158	54,216
Unemployment	1,306	1,582	1,602

National Product Still Rising

Gross national product continued upward in the first quarter of 1953, advancing $2 billion to an annual rate of $361 billion. The most significant feature of the first quarter business situation was an $8.5 billion increase in the flow of goods and services to final use. Of this advance consumer purchases accounted for $4 billion, fixed capital investment for new plant and equipment and new houses for $3.5 billion, and Federal, state, and local government outlays for purposes other than national security for $1 billion. Net foreign investment declined about $1 billion, but the big offset to the rise in civilian demand was a $6.4 billion decline in the rate of inventory accumulation.

Changes in inventories have been of major importance to over-all changes in economic activity since the outbreak of hostilities in Korea. As shown by the accompanying chart fluctuations in business inventories throughout this period were almost entirely responsible for the wide swings in gross private domestic investment. In the fourth quarter of 1952 the increase in inventories accounted for more than a quarter of the total rise in GNP.

This reflected rebuilding and balancing of stocks after settlement of the steel strike. With the completion of this restocking operation, inventories showed only small additional increases in the first quarter of 1953, indicating that, for the quarter, aggregate demand and supply were virtually in balance.

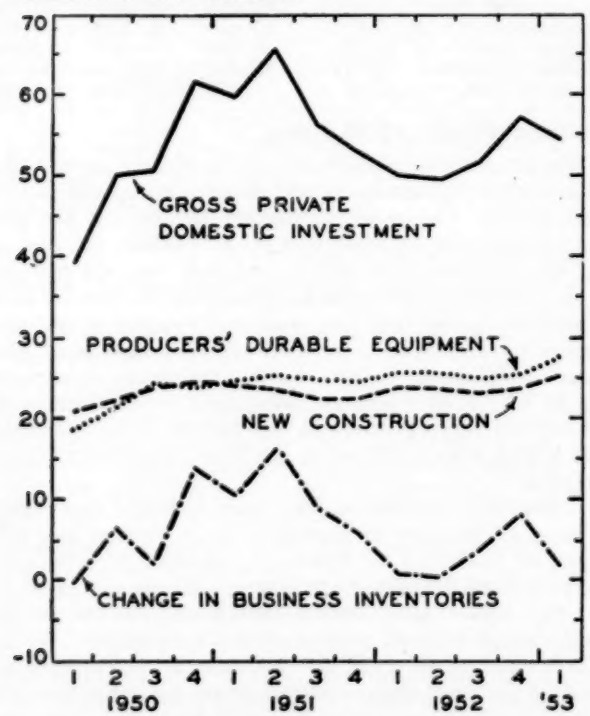
GROSS NATIONAL PRODUCT OR EXPENDITURE
(seasonally adjusted, billions of dollars at annual rates)

	1st Qtr. 1953	*4th Qtr. 1952*	*1st Qtr. 1952*
Gross national product	361.0	359.0	339.7
Personal consumption	226.2	222.0	213.2
Durable goods	29.8	27.3	25.2
Nondurable goods	121.7	121.4	118.0
Services	74.6	73.3	70.0
Domestic investment	54.4	57.3	50.0
New construction	25.2	23.7	23.7
Producers' durable equipment	27.5	25.6	25.7
Change in business inventories	1.7	8.1	.6
Nonfarm inventories only	1.1	7.5	−.1
Foreign investment	−2.0	−.9	2.2
Government purchases	82.4	80.6	74.4
INCOME AND SAVINGS			
National income	n.a.	300.2	288.0
Personal income	281.3	277.0	263.0
Disposable personal income	245.6	242.5	229.5
Personal saving	19.5	20.5	16.3

Personal consumption expenditures accounted for the bulk of the first quarter advance in civilian demand. The total was up $4.0 billion to $226 billion, with purchases of durable goods accounting for 60 percent of the increase. Automotive expenditures continued as the dominant factor in the durable goods rise. Consumer expenditures for nondurables moved up only fractionally to slightly under $122 billion. Expenditures for services increased at about the same average annual rate — roughly $1 billion per quarter — that has prevailed for the past two years.

Federal, state, and local government expenditures for goods and services increased by slightly less than $2.0 billion to $82.4 billion in the first quarter. This advance was about evenly divided between increased state and local government expenditures and increased Federal government expenditures. The Federal government rise was attributable to an advance in national security outlays, mainly for foreign aid programs.

GROSS PRIVATE DOMESTIC INVESTMENT
BILLIONS OF DOLLARS



Source: U. S. Department of Commerce.

Construction Activity Continues High

New construction expenditures increased seasonally by 10 percent in May to $2.9 billion, 6 percent above May, 1952. Despite adverse weather conditions, which kept private residential construction and road building from advancing as much as usual in May, most of the April-May rise occurred in these sectors. The advance in total construction outlays over May, 1952, was entirely due to increased expenditures for private construction. These were up 9 percent from May, 1952, to almost $2 billion. Public outlays in May amounted to $933 million, the same as a year earlier.

For the first five months of 1953, total new construction was at a record $12.6 billion, almost 6 percent above the same months of 1952. Private construction, valued at $8.7 billion, accounted for almost all of the gain over last year. This advance was mainly due to increased expenditures for new dwelling units and commercial building. Public expenditures totaled $3.8 billion, only slightly above the January-May, 1952, level, as lowered activity on public housing, hospitals, and Federal reclamation and development work offset moderate gains for most other types of public construction.

Implications of the Auto Boom

(Continued from page 2)

relation to income that saving practically disappeared. In the third quarter of 1950, for example, personal saving dropped below a rate of $5 billion, and was little more than 2 percent of consumers' income after taxes. In contrast, personal saving in the first quarter of this year was at a rate of $19.5 billion and, at 8 percent of consumers' disposable income, was high in comparison with most past periods. It seems warranted to conclude that total consumer buying, including the large volume of durable goods now being sold, is only a little above normal.

When car buying drops, therefore, saving may increase in relation to income but not to anything like the full extent of the decline in purchases. The drop in buying, with its accompanying increase in saving in the form of repayments of consumer installment loans, will be partly offset by decreases in savings in other forms. Total spending will tend to be maintained in relation to income by a switch to increased purchases of nondurable goods and services.

To illustrate, assume that purchases of autos and other durable goods will drop $3 billion by the year-end, losing most of the gain from 1952. This would bring them back to the average of the past two years and completely eliminate the increase in consumer credit. But it would probably reduce consumer spending in the aggregate by no more than half as much, or $1½ billion in the aggregate. Such a moderate decline would be more than compensated by the tax reduction now scheduled to begin next January.

Unless there are declines elsewhere in the economy, therefore, the readjustment in the auto industry holds no bearish implication for the economy as a whole. The burden of proof is on the bears to show that any serious recession threatens in the year ahead. VLB

BUSINESS BRIEFS

PUBLICATIONS AND DEVELOPMENTS OF BUSINESS INTEREST

Farm Real Estate Investment

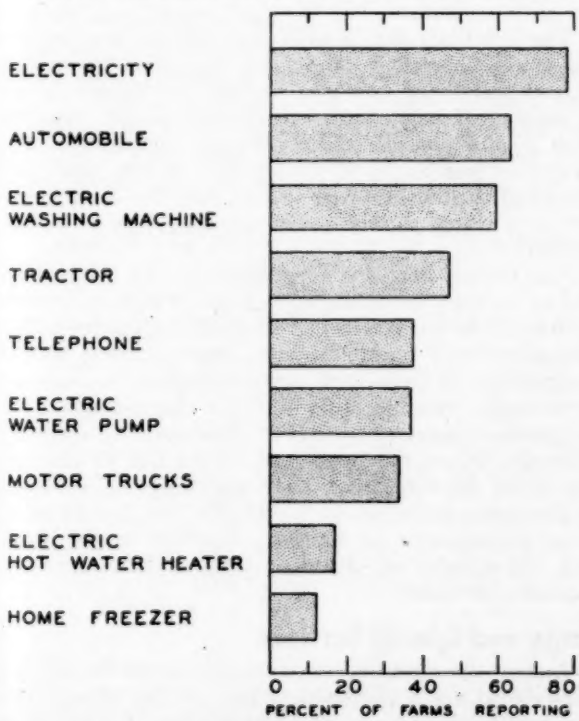
Total value of farm real estate amounted to about $3,000 for every $1,000 taken in from the sale of farm products in 1950 according to an article in the May issue of *Agricultural Statistics*. Studies of regional differences reveal a range in the amount of land investment per $1,000 of gross income of from $2,000 in the Northeast to $3,500 in Texas and Oklahoma. However, a more striking relationship existed among farms with different levels of income. In general, lower income units required a greater investment in real estate per $1,000 of products sold. Farms having gross income of between $250 and $1,199 needed about $6,500 in real estate to produce $1,000 in sales, whereas those whose gross income averaged $25,000 or more required an investment of only $2,000 in real estate per $1,000 of products sold. However, many low-income farms are near urban centers and the values placed on them do not reflect strictly agricultural values. With the exception of the South, land investments are usually higher in relation to gross income in areas where field crops are the predominant source of income than in livestock areas where labor inputs are larger and more is invested in livestock. The large investments in real estate associated with high levels of farm income are due more to larger acreages than to better land.

Lighter File Drawers

Lighter, more compact file drawers and trays have been produced by the Tab Products Company, 57 Post Street, San Francisco 4, California. Molded of Fiberglas-reinforced plastic, the drawers weigh less than 3½ pounds each — about half that of a comparable metal unit — yet they are highly resistant to cracking, denting, or breaking.

Redesigned to a shorter length (24 inches) to make them easier to handle, the drawers are wider at the top than at the bottom with the inward taper guiding cards into alignment as they hit bottom. Each drawer has a capacity of nearly 3,300 cards. Quiet action in opening and closing the trays is achieved by a simplified single drawer suspension.

FARM FACILITIES AND EQUIPMENT, 1950



Source: *1950 Census of Agriculture.*

Income Distribution

A study of changes in the distribution of income over the last 30 years has recently been completed by Simon Kuznets and the results published by the National Bureau of Economic Research, Inc., in a volume called *Shares of Upper Income Groups in Income and Savings.* The procedure followed was to compare the number and income of persons represented on Federal income tax returns with the total population and its income receipts. Examined in the investigation are the average level and structure of the income share of the upper income groups, characteristics of high income groups and some causes and consequences of their relative position, the association of income shares with business cycles, and the effect of changes in the share of income on total savings of individuals. Offering an integrated analysis of the part played by different groups in the movement of national aggregates, the 725-page book retails for $9.00.

Farm Equipment

More farms in the United States have automobiles than have telephones, according to the *Census of Agriculture.* A summary of farm facilities and equipment in use in April, 1950, shows that 63 percent of all farmers reported an automobile whereas only 38 percent owned a telephone. Of all facilities and equipment, electricity was the most common, being present on almost 80 percent of all farms. Automobiles ranked second and electric washing machines third (see chart). Less than half of the country's farmers owned a tractor and only one-third kept a motor truck. Electric hot water heaters had been installed on only 17 percent of the farms and home freezers were owned by only 12 percent.

Since the data were collected in early 1950, equipment has been added and these percentages have changed. Home freezers, for example, are probably present on more than 12 percent of the nation's farms at this time.

The *1950 Census of Agriculture* defines a farm as any place where the value of agricultural products in 1949 amounted to $150 or more. All land under the control of one person or partnership was included as one farm.

Device to Close Home Windows

Windows that close automatically when it rains and open when the rain stops will soon be a reality by means of an unusual device manufactured by Micro-Moisture Controls, Inc., 40 East 49th Street, New York 17, N.Y. Small electric motors activated by relays connected to printed-circuit grids installed on the exterior of the building accomplish the action. When a drop of rain strikes the grid, the mechanism is put into operation and

(Continued on page 9)

CIVIL AVIATION AT MID-CENTURY

LESLIE A. BRYAN
Director, Institute of Aviation

The United States is celebrating the fiftieth anniversary of powered flight, yet aviation today presents as mystifying and stimulating a challenge to American enterprise and ingenuity as it did fifty years ago.

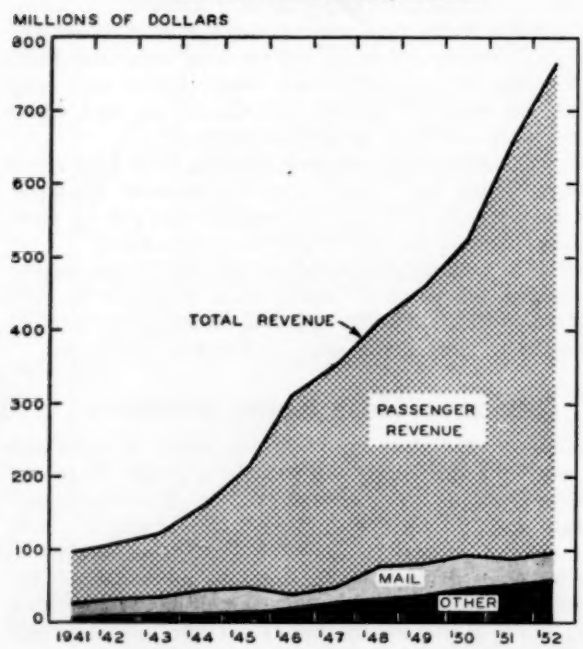
On December 17, 1903, a 12-horsepower biplane, built by Wilbur and Orville Wright, rose from the sands at Kitty Hawk, North Carolina, and remained airborne for 12 seconds. Today hundreds of thousands of men, thousands of aircraft, vast corporations, and billions of dollars are in aviation.

The first fifty years of powered flight have seen the airline industry come of age. In 1903, the Wright plane, weighing 750 pounds, including both Orville and the fuel, traveled 120 feet. Today the standard airplane in the United States scheduled airline fleet is capable of carrying 50 times the weight of the Wright plane and of flying nonstop from 12 to 15 hours. It can cover about 4,480 feet in 12 seconds, or more than 37 times the distance flown by the Wright plane.

Scheduled Airlines

Two major segments of aviation at the fifty-year mark are the air transport industry and the aircraft manufacturing industry. The United States scheduled airlines topped the one billion dollar mark in assets at the close of a twelve-month period ending September 30, 1952. This represented a gain of 14.3 percent over the preceding year. Other features of the airline industry likewise showed considerable change. The total employment was up 11.8 percent over the previous year. The industry's average wage was $4,452, an 8 percent increase; the annual payroll rose to $469,767,459, an increase of 20.8 percent. During the same period, the airlines spent $142,031,792 for gas and oil, a 20.2 percent increase.

OPERATING REVENUES OF DOMESTIC TRUNK AIRLINES, 1941-52



Source: *American Aviation*, Vol. 16, No. 24, April 27, 1953.

In 1952 the certified airlines in the United States grossed over $1,120,000,000 in commercial operating revenues, transported some 28.5 million passengers, employed over 100,000 persons, operated 1,522 airplanes, and made the finest safety record in airline history to date. The American air transport industry is grossing more money than ever before (see chart), but the expenses are catching up with the revenues. The future presents some difficulties. This is due in large measure to the need for expansion. Possibly $300 million worth of new aircraft are needed immediately, and between $700 million and $900 million will be needed, perhaps within the next five years, to meet the growing demands for jet transports. In order that future success may be assured, the airline executive must continue to improve on the progress of the present. He must face the complexities of the vast network of airlines. Some of these complexities are as follows:

In 1952, coach or tourist-type traffic constituted 18.8 percent of the total passenger-miles flown by the domestic trunk lines. Previously coach travel has been only a fraction of the total airline traffic. This leads many traffic executives to believe that the proportion may increase to as much as 30 percent in 1953. Others venture to think that the steady trend toward coach traffic will surpass first-class air travel in a comparatively few years.

The airlines last year began to follow the typical path of other forms of transportation. The number of domestic trunk carriers was reduced from 16 to 14 by the mergers in 1952, and a further reduction to 12 is likely during 1953. These mergers probably strengthen the industry, but from the standpoint of the airline operator they intensify competition. All but 4 of the present 14 trunkline carriers are free from subsidy, but from a management standpoint the main problem — the proper rate of return to the investor — remains.

The trend last year toward consolidation was apparent also in the domestic local service lines. One merger and the termination of two local carrier certificates lowered the number of such carriers to 15. Two merger cases now pending and one possible certificate termination could lower that number to 12 during the coming year. Some individual airlines showed profits, but the local service lines as a whole showed a net operating loss of $953,048 for 1952.

The United States is represented in the international field by 12 lines, including two of the 11 carriers certified for trans-Atlantic service. In this field two important developments took place last year. One of these was the inauguration of large-scale coach or tourist service across the Atlantic, and the other was the inauguration of the jet-transport services by British Overseas Airways. Undoubtedly, during the coming year there will be an expansion of the trans-Atlantic coach services to points beyond the European gateways. It is probable, too, that there will be an enlargement of tourist operations in the Pacific area, and possibly an expansion of this type of service on a world-wide basis.

Cargo and Special Services

Among the most recent developments in the all-cargo carrier field are a proposed merger of the Flying Tiger Line and Slick Airways, the certification of a new international cargo line, Aerovias Sud, and bids by six Ameri-

can companies for trans-Atlantic certificate rights. In 1951, the three domestic freight carriers, Slick, Flying Tiger, and U. S. Airlines, divided the traffic about evenly with the trunk-line carriers. During 1952 they slipped to about 46 percent of the total 221 million ton-miles of domestic air freight traffic. There is some indication that the United States is losing its position in the foreign cargo market to foreign carriers. This fact induced the Civil Aeronautics Board to reopen hearings looking to the possible certification of more all-cargo carriers on the trans-Atlantic cargo routes.

In the field of helicopter carriers, there is now a big question of policy: Should new companies or present operators of fixed-wing aircraft operate over helicopter routes? In the meantime, more than 30 applicants want the CAB to award additional helicopter certificates to virtually every large metropolitan area in the country. The three helicopter lines which are now operating in Chicago, Los Angeles, and New York seem to be doing very well.

There remain approximately 60 carriers in commercial markets on an irregular air-carrier basis. The greater part of the revenue in this field comes from the military carriage. This business probably will remain good for at least a year after any "cease fire" may take place in Korea.

It is probable that during the coming year the small irregular air carriers, now officially designated by the CAB as air taxi operators, will become considerably more stabilized. Of the 2,000 small operators who come under the CAB definition, probably only about half are actually engaged in offering air service. The majority of freight forwarders by air are unlicensed. Those who are licensed by the CAB as indirect air carriers are handicapped by two things: a lack of sufficient interest on the part of direct air carriers in aiding the development of the consolidated freight-shipment business, and the competition of forwarder-type organizations which operate outside the scope of the regulatory powers of the CAB.

Aircraft Manufacturing

Despite the fact that the net earnings of the aircraft manufacturing industry continue to be considerably below those of comparable industries, aircraft builders have completed one of their most productive years and have earned the largest dollar profit — $81.7 million — in their history. In general, the outlook is rather bright for the immediate future of the industry. The increase in net profit per dollar of sales from 1951 to 1952 points up more efficient business management. The earnings on capital increased from eight cents on the dollar in 1951 to 18.3 cents in 1952, or the average earning per share increased from $1.68 to $3.98. Sales were up $1.8 billion and were financed by only a $33.9 million increase in net working capital. This indicated a more efficient use of the capital of the industry, with a turnover of 7.2 times in 1951 and 12.1 times in 1952. At first glance, a study of the totals for the leading aircraft companies would indicate that sales jumped 89 percent, whereas earnings after taxes skyrocketed 164 percent (see table). This, however, is something of a distortion.

The Glenn L. Martin Company in 1951 reported a net loss of more than $22 million, but in 1952 they reported a return to the black side of the ledger with a net profit of $5.8 million. If Martin's report is taken from the tabulations, the remaining companies had a sales increase of 88 percent, but their net profits went up only 43 percent. In the aggregrate the industry did slightly better in 1952 than in 1951, calculating its net profits as a percentage of sales. The increase was from 1.6 percent in 1951 to 2.2 percent in 1952. This was an industry-wide gain in sales without a single company reporting a sales decline in 1952. As would be expected, employment by the aircraft companies increased substantially during the fiscal year. This reflects, also, the end of the tooling-up period and the beginning of large-scale production.

In spite of the increased deliveries of aircraft and engines, order backlogs kept going up. They rose by over $2.5 billion, or somewhat more than a fifth. Eight companies of the industry reported backlogs in excess of $1 billion, with Douglas and Lockheed pushing the $2-billion mark. At least two additional companies, General Electric and General Motors, have aviation backlogs of over a billion dollars, but they do not separate their aviation orders as such.

Industrial leaders, however, are now worried about several things in the picture. They are concerned about the inability of the industry to meet its present debts because of inability to lay hold of quick assets. Also a considerable vulnerability to inventory losses is indicated since inventories are at a record high of $531 million. At the year's end, the industry's creditors owned over 3 times as much of the business assets as did the stockholders. Some cause for worry also lies in the fact that company-owned plants and equipment are at their all-time high of $154 million. With this investment approximately 40 percent greater than the highest World War II point, additional plant expansion could prove financially embarrassing in the event of declining production demands.

The half century since 1903 has been one of unparalleled development and progress in aviation as reflected by the two segments discussed here. The next half century may well eclipse the development of the past fifty years.

FINANCIAL DATA FOR 12 MAJOR AIRFRAME COMPANIES, 1937-52
(Millions of dollars)

Year	Net sales	Net profits	Current assets	Current liabilities	Net working capital	Inventory	Net worth
1952	3,731	82	1,251	943	308	531	448
1951	1,979	31*	915	640	275	373	388
1950	1,388	63	575	287	288	208	380
1949	1,132	36	541	286	256	225	334
1948	843	2	525	280	245	210	318
1947	545	(42)	535	284	251	294	367
1946	519	(11)	541	229	312	237	383
1945	3,965	67	959	592	366	131	424
1944	5,766	59	1,460	1,235	225	332	385
1943	5,209	73	1,703	1,445	259	434	326
1942	2,789	61	1,257	1,134	123	424	246
1941	813	60	662	582	80	347	159
1940	247	32	398	332	66	142	92
1939	141	15	97	60	38	48	69
1938	89	8	49	18	31	17	54
1937	62	2	43	21	21	15	43

* Reflects $22 million loss by the Glenn L. Martin Company.
Source: *American Aviation*, Vol. 16, No. 25, May 11, 1953.

Business Briefs

(Continued from page 7)

the windows close. When the grid dries, the windows automatically open. The new device can be regulated to respond to a fine mist or a heavy rain. The product will be within the range of new small home buyers, according to the manufacturer.

LOCAL ILLINOIS DEVELOPMENTS

Although most Illinois business indicators declined seasonally from March to April, many of them showed gains over the corresponding month of last year. Electric power production, bank debits, life insurance sales, and steel production were each up more than 12 percent over April, 1952, whereas department store sales, business loans, manufacturing employment, and average weekly earnings increased by a somewhat smaller margin. Construction contracts awarded were up 47 percent from March and 3 percent from the same month a year ago. Off both from April, 1952, and from March were coal production, farm prices received, cash farm income, and petroleum production.

Workmen's Compensation Benefits

Maximum compensation benefits to injured Illinois workmen expressed as a percentage of average earnings have declined substantially since the Workmen's Compensation Law was first enacted forty years ago. According to a report in the *Illinois Labor Bulletin*, maximum compensation payments in 1912 were $12 a week, or 98 percent of average weekly earnings in the United States. By October, 1952, earnings had risen to $74.54, but maximum compensation benefits for a family with one child or no children were only $25.50, or 34 percent of the Illinois laborer's wages. Although the percentage reimbursement of wage loss could, by law, be from 75 to 97.5 percent in Illinois (depending upon the number of children), low maximum rates have greatly reduced the percentage of wages recoverable by an injured employee.

Illinois is rated lowest among the first ten industrial states in allowance of weekly compensation rates. Furthermore, although the general trend in state compensation acts has been toward a reduction of the waiting period before benefits begin, Illinois workers must still wait six working days even though the standard work week has been shortened to five days.

Employment Up Seasonally

Illinois nonfarm employment in mid-April totaled 3.4 million, 0.5 percent above the March level and 3.1 percent above April, 1952. This level for the State has been exceeded only once, in December, 1952. Manufacturing employment declined fractionally from March to April after increasing for eight consecutive months. But despite the seasonal decreases in both durable and nondurable goods, manufacturing employment was 7 percent above that of the same month a year ago. Seasonal increases in nonmanufacturing industries more than offset the slight decline in manufacturing employment with contract construction, up 10 percent from March, leading the gain.

Insects Threaten Prospects for Good Crops

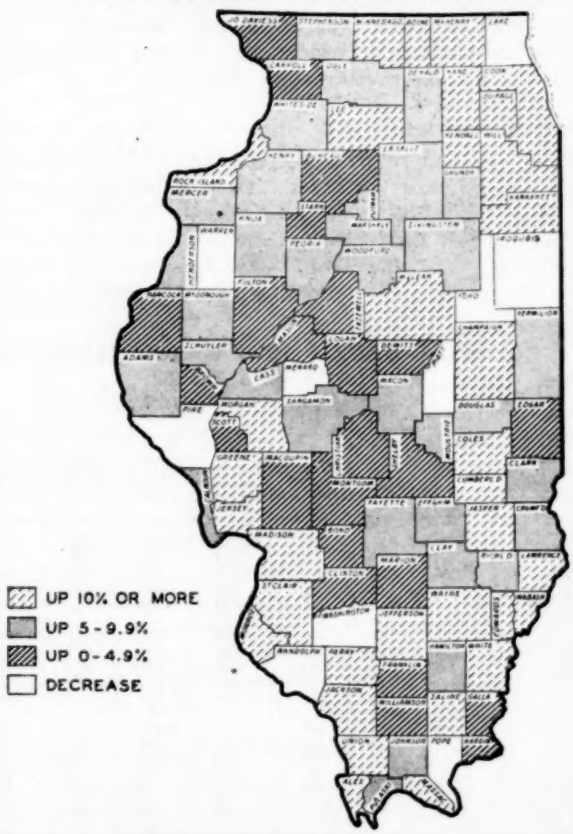
Although planting in some of the southern Illinois counties has been delayed by rains, about 90 percent of the corn crop and over 70 percent of the State's soybeans were in the ground on June 1. Some red clover had been cut in the southernmost counties by the first week in June and the harvest of alfalfa had started in the central area. In general, wheat is in excellent condition and rye and winter barley were ripening as far north as Greenville. However, the insect threat to Illinois crops has already become serious in some parts of the State. Flea beetles have attacked the corn crop unusually early; chinch bugs, wire worms, and cut worms have been reported from widely scattered areas. Wheat is being attacked by army worms in some southern counties and red clover has been seriously damaged by the clover leaf weevil, aphids, and the spittlebug.

Illinois Retail Sales

In contrast to the nation as a whole, March retail sales in Illinois — estimated at $894 million — rose 10 percent above the February level and 12 percent above March of last year. Retail sales in the United States declined 1 percent from February to March and gained 11 percent over March, 1952. Registering the greatest increase over the same month a year ago were automobile sales, up 41 percent in Illinois, with filling stations concomitantly reporting a 25 percent increase. Sales of apparel and building supply firms showed the largest percentage rises over February, chiefly as the result of seasonal demands.

During the first quarter of 1953, total retail sales in Illinois reached $2.5 billion, 9 percent higher than in the corresponding period of the previous year. Only four counties reported gains of 20 percent or more over the same quarter in 1952: Lawrence, up 36 percent; Du Page, up 22 percent; and Will and Winnebago counties, each up 20 percent. Losses occurred in ten counties (see chart) with Lake County — off 11 percent — reporting the greatest decline. Downstate Illinois (up 8 percent) did not quite equal the gain made by Cook County, where estimated retail sales rose 10 percent.

RETAIL SALES IN ILLINOIS
Percent Change, 1st Qtr., 1952-1st Qtr., 1953



Source: Illinois Department of Revenue.

COMPARATIVE ECONOMIC DATA FOR SELECTED ILLINOIS CITIES

April, 1953

	Building Permits[1] (000)	Electric Power Consumption[2] (000 kwh)	Estimated Retail Sales[3] (000)	Department Store Sales[4]	Bank Debits[4] (000,000)	Postal Receipts[5] (000)
ILLINOIS	$25,916[a]	952,337[a]	$571,025[a]		$12,628[a]	$13,074[a]
Percentage Change from... Mar., 1953	+19.1	−3.9	+12.2	+5	−11.6	−2.5
Apr., 1952	+3.0	+6.8	+15.5	+2	+12.3	+6.8
NORTHERN ILLINOIS						
Chicago	$16,522	741,461	$418,788		$11,567	$11,367
Percentage Change from... Mar., 1953	+12.3	−5.1	+11.6	+5	−12.1	−2.3
Apr., 1952	−12.0	+7.0	+14.8	+3	+12.6	+7.4
Aurora	$ 240	n.a.	$ 8,106		$ 46	$ 101
Percentage Change from... Mar., 1953	−49.4		+16.6	+13	−6.8[a]	+1.7
Apr., 1952	−8.7		+20.1	−3	+15.8	+18.2
Elgin	$ 427	n.a.	$ 5,660		$ 27	$ 89
Percentage Change from... Mar., 1953	+9.2		+14.9	+9	−2.8	−8.4
Apr., 1952	+33.9		+21.1	−2	+10.1	−0.7
Joliet	$ 677	n.a.	$12,273		$ 60	$ 88
Percentage Change from... Mar., 1953	+75.8		+15.1	+4	−3.5	+17.3
Apr., 1952	−32.6		+25.6	+11	+21.5	+16.3
Kankakee	$ 191	n.a.	$ 5,629		n.a.	$ 32
Percentage Change from... Mar., 1953	+75.2		+9.5	n.a.		−1.9
Apr., 1952	−26.5		+24.0			+6.3
Rock Island-Moline	$1,262	20,537	$10,643		$ 82[b]	$ 162
Percentage Change from... Mar., 1953	+183.0	+4.8	+7.9	n.a.	−0.8	+8.7
Apr., 1952	+23.4	+15.6	+18.9		+10.7	+19.7
Rockford	$1,067	33,308	$17,924		$ 135	$ 196
Percentage Change from... Mar., 1953	+55.1	+2.2	+14.0	+3	−10.1	−10.0
Apr., 1952	+37.7	+21.9	+19.8	+6	+11.5	−4.9
CENTRAL ILLINOIS						
Bloomington	$ 364	6,722	$ 7,549		$ 55	$ 133
Percentage Change from... Mar., 1953	+167.6	+2.7	+50.2	n.a.	−8.2	−5.4
Apr., 1952	−13.7	+10.8	+53.7		+22.4	−13.3
Champaign-Urbana	$ 238	8,312	$ 7,812		$ 53	$ 98
Percentage Change from... Mar., 1953	+140.4	−0.6	+9.9	n.a.	+1.5	+5.4
Apr., 1952	+60.8	+3.0	+17.3		+4.2	+21.3
Danville	$ 491	8,027	$ 6,338		$ 39	$ 52
Percentage Change from... Mar., 1953	+513.8	−1.8	+20.9	+2	−4.0	−6.6
Apr., 1952	+261.0	+6.2	+12.4	−2	+1.6	+0.4
Decatur	$ 709	21,560	$10,357		$ 84	$ 107
Percentage Change from... Mar., 1953	+90.6	−0.5	+17.9	+8	−9.3	−1.1
Apr., 1952	+147.0	+2.0	+20.0	−6	+8.6	+1.6
Galesburg	$ 221	6,526	$ 4,184		n.a.	$ 33
Percentage Change from... Mar., 1953	+82.6	+2.6	+11.7	n.a.		−0.8
Apr., 1952	+100.9	+12.9	+11.8			+4.1
Peoria	$1,119	45,333[c]	$18,012		$ 190	$ 205
Percentage Change from... Mar., 1953	−51.1	+0.7	+10.5	+2	−3.8	−7.9
Apr., 1952	+99.1	−3.5	+7.0	+3	−0.3	+0.4
Quincy	$1,037	7,139	$ 4,958		$ 35	$ 66
Percentage Change from... Mar., 1953	+1,402.9	+4.4	+12.4	+2	−1.5	−6.7
Apr., 1952	+348.9	+6.8	+12.7	−3	+8.8	−10.0
Springfield	$ 558	24,617[c]	$13,898		$ 94	$ 219
Percentage Change from... Mar., 1953	−22.1	−3.7	+13.9	n.a.	−3.3	−10.9
Apr., 1952	+80.0	+2.7	+16.6		+16.5	+6.3
SOUTHERN ILLINOIS						
East St. Louis	$ 536	12,924	$ 9,569		$ 128	$ 60
Percentage Change from... Mar., 1953	+29.8	+4.5	+3.6	n.a.	−7.1	−7.7
Apr., 1952	+137.2	+5.1	+11.7		+4.2	+10.1
Alton	$ 170	10,887	$ 4,939		$ 33	$ 29
Percentage Change from... Mar., 1953	+0.6	−3.5	+7.4	n.a.	−5.8	−5.9
Apr., 1952	−28.6	+5.5	+15.8		+18.7	+7.0
Belleville	$ 87	4,984	$ 4,386		n.a.	$ 37
Percentage Change from... Mar., 1953	−5.4	−4.8	+12.5	n.a.		−5.3
Apr., 1952	+40.3	+0.8	+12.8			−16.8

[a] Total for cities listed. [b] Includes East Moline. [c] Includes immediately surrounding territory. n.a. Not available.

Sources: [1] U. S. Bureau of Labor Statistics. Data include Federal construction projects. [2] Local power companies. [3] Illinois Department of Revenue. Data are for March, 1953, the most recent available. Comparisons relate to February, 1953, and March, 1952. [4] Research Departments of Federal Reserve Banks in Seventh (Chicago) and Eighth (St. Louis) Districts. Department store sales percentages rounded by original sources. [5] Local post office reports.

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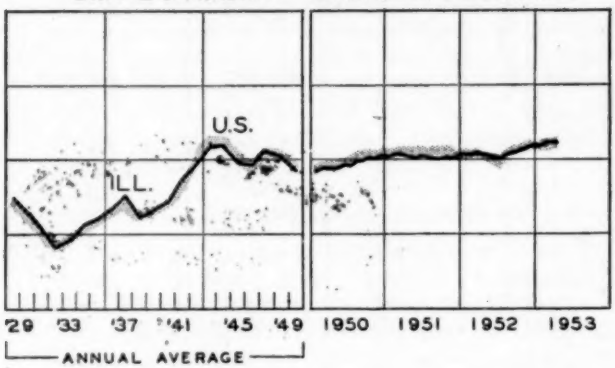
INDEXES OF BUSINESS ACTIVITY

1947-1949=100

EMPLOYMENT - MANUFACTURING



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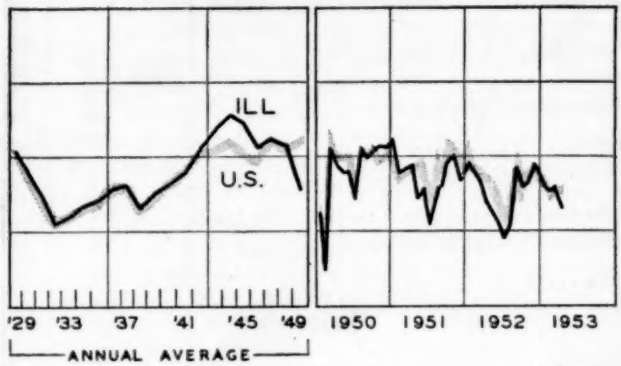
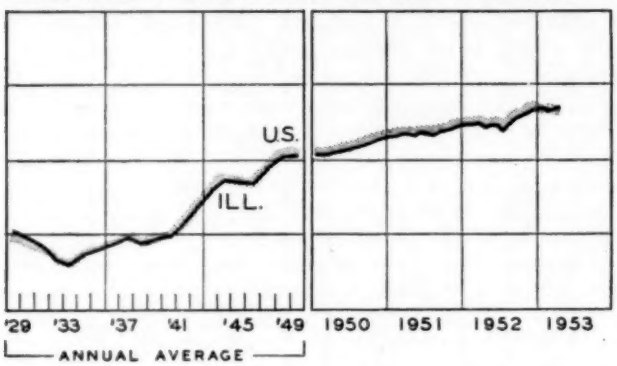
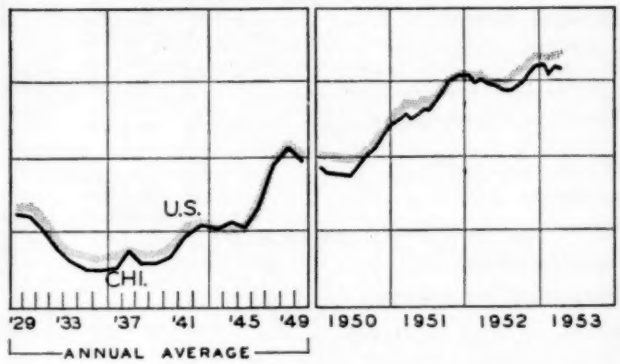


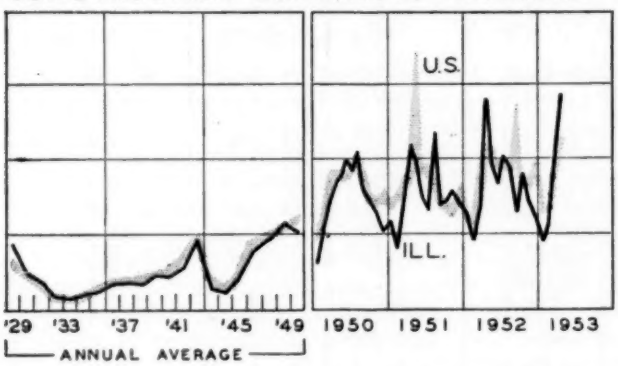
AVG. WKLY. EARNINGS - MANUFACTURING



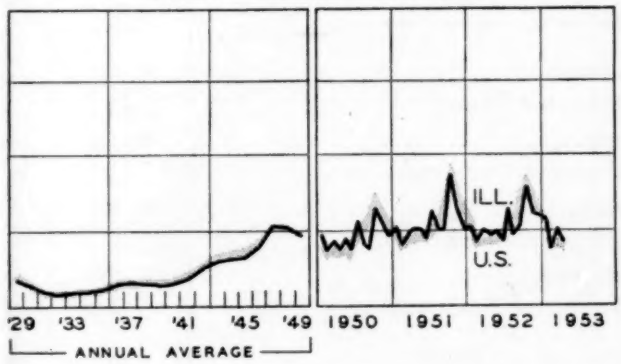
BUSINESS LOANS



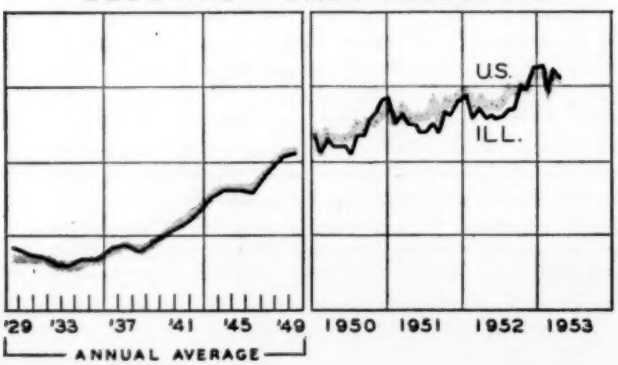
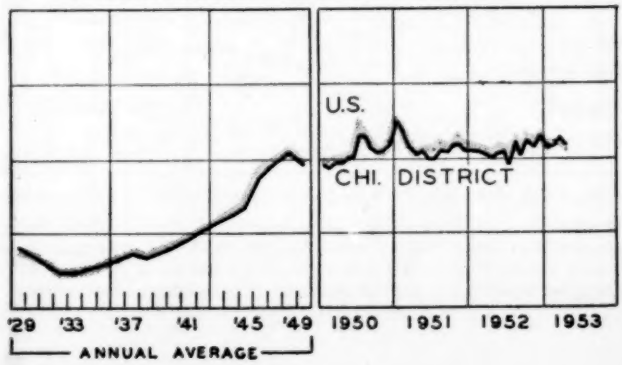
CONSTRUCTION CONTRACTS AWARDED



CASH FARM INCOME



ELECTRIC POWER PRODUCTION



DEPARTMENT STORE SALES